REPORT ON EXAMINATION

OF THE

EXECUTIVE RISK INDEMNITY INC.

AS OF

DECEMBER 31, 2006

I, Matthew Denn, Insurance Commissioner of the State of Delaware, do hereby certify that the attached REPORT ON EXAMINATION, made as of DECEMBER 31, 2006 of the

EXECUTIVE RISK INDEMNITY INC.

is a true and correct copy of the document filed with this Department.

ATTEST BY: Antoinette Handy

DATE: 18 JUNE 2008

In Witness Whereof, I HAVE HEREUNTO SET MY HAND AND AFFIXED THE OFFICIAL SEAL OF THIS DEPARTMENT AT THE CITY OF DOVER, THIS 18TH DAY OF JUNE 2008.

Insurance Commissioner

REPORT ON EXAMINATION

OF THE

EXECUTIVE RISK INDEMNITY INC.

AS OF

December 31, 2006

The above captioned Report was completed by examiners of the Delaware Insurance Department.

Consideration has duly been given to the comments, conclusions, and recommendations of the examiners regarding the status of the Company as reflected in the Report.

This Report is hereby accepted, adopted, and filed as an official record of this Department.

MATTHEW DENN
INSURANCE COMMISSIONER

DATED this 18TH Day of JUNE 2008.

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SALUTATION

March 10, 2008

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Chairman, Financial Condition (E)
Committee, NAIC
State Corporation Commission
Bureau of Insurance
PO Box 1157
Richmond, VA 23218

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State of New Jersey Department of
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Honorable Morris Chavez
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1120 Paseo de Peralta
Santa Fe, New Mexico 87504-1269

Honorable Matthew Denn
Insurance Commissioner
State of Delaware
841 Silver Lake Blvd.
Dover, DE 19904

Commissioners:

In compliance with instructions and pursuant to statutory provisions contained in Certificate of Authority Number 07-030, an examination has been made of the affairs, financial condition and management of

EXECUTIVE RISK INDEMNITY INC.

hereinafter referred to as "Company" incorporated under the laws of the State of Delaware. The Company's registered office in the State of Delaware is located at 1209 Orange Street, in care of the Corporation Trust Corporation, Wilmington, Delaware 19801. The examination was conducted at the administrative office of the Company located at 15 Mountain View Road Warren, New Jersey. The examination of the Company was conducted concurrently with and as a part of a larger coordinated examination of both the Delaware affiliate, Chubb Custom Insurance Company (CCIC) and other affiliates collectively known as the "Chubb Pool". Excluding the Company and CCIC, twelve (12) other individual companies were covered under the coordinated examination. See Territory and Plan of Operation for information related to the Chubb Pool. Separate reports of examination were filed for each company.

The report of examination thereon is respectfully submitted.

SCOPE OF EXAMINATION

The financial condition examination of the Company, covered the period from January 1, 2002 through December 31, 2006 and consisted of a general survey of the Company's business policies and practices; management and any corporate matters incident thereto; a verification and evaluation of assets and a determination of liabilities. Transactions subsequent to the latter date were reviewed to the extent deemed necessary.

The format of this report is designed to explain the procedures employed on the examination and the text will explain changes wherever made. If necessary, comments and recommendations have been made in those areas in need of correction or improvement. In such cases, these matters were thoroughly discussed with responsible personnel and/or officials during the course of the examination.

The general procedure of the examination followed rules established by the National Association of Insurance Commissioners (NAIC) Committee on Financial Condition Examiners Handbook as adopted by the Delaware Insurance Department under 18 Del. C. §526, and generally accepted statutory insurance examination standards.

In addition to items noted in this report, the following topics were reviewed and are included in the files of this examination:

Corporate Records
Fidelity Bonds
Agents' and Employees' Welfare
NAIC Ratios
Legal Actions
Regulatory Correspondence
All asset and liability items not mentioned

The examination was conducted in accordance with the Association Plan of Examination guidelines established by the NAIC. The Company is an 8% member of a pool, the lead Company of which is the Federal Insurance Company (IN). See Territory and Plan of Operation for more details. The following states participated in the examination; Indiana, New York, New Jersey, Wisconsin, Oregon, Texas, Connecticut and, Minnesota.

In planning and conducting the examination, consideration was given to the concepts of materiality and risk, and examination efforts were directed accordingly. The workpapers of the Company's public accountant prepared in support of the Company's annual audit were reviewed, and utilized to the extent deemed appropriate and practicable.

HISTORY

The Company was incorporated on September 23, 1977 under the laws of Delaware as the American Excess Insurance Company and began business on January 1, 1978. Executive Risk Inc. (ERI) was its ultimate parent. The Company changed its name to ERIC Reinsurance Company on April 29, 1987. On October 29, 1991, the Company formed a 100% owned affiliate, Executive Risk Specialty Insurance Company (ERSIC). ERSIC started operations on December 31, 1991, and writes errors and omissions liability insurance and other coverages in targeted markets for selected classes of professionals.

On April 14, 1992, the Company's name changed to Executive Re Indemnity Inc. and the present title was adopted on January 27, 1995. The Company primarily provides executive protection coverages, particularly directors and officers, and professional liability coverages.

On July 19, 1999, The Chubb Corporation (Chubb), a holding company with subsidiaries principally engaged in property and casualty insurance, acquired Executive Risk Inc. and its subsidiaries, including Executive Risk Indemnity Inc.

CAPITALIZATION

At December 31, 2006, the Company had 50,000 common shares authorized, issued and outstanding with a par value of $100 per share. Since the last examinaiton, the Company did not authorize, issue or repurchase any shares. During the examination period, the Company received $130,000,000 of capital contributions from its parent, Federal Insurance Company. The Company paid $154,000,000 of dividends during the examination period to its shareholder. The schedule below shows the changes in the Company's capital and surplus from the previous examination to the current examination.

	Common Capital Stock	**Gross Paid – in & Contributed Surplus**	**Unassigned Funds (Surplus)**	**Total**
Surplus December 31, 2001	$5,000,000	$164,050,000	$152,639,682	**$321,689,682**
Operations(1)				
2002 Operations	$0	$0	$18,114,521	**$18,114,521**
2003 Operations	$0	$0	$70,293,254	**$70,293,254**
2004 Operations	$0	$0	$105,120,164	**$105,120,164**
2005 Operations	$0	$0	$111,142,632	**$111,142,632**
2006 Operations	$0	$0	$207,786,004	**$207,786,004**
Capital infusion from parent				
2002		$80,000,000		**$80,000,000**
2003		$50,000,000		**$50,000,000**
Dividends Paid				
2002			$(15,000,000)	**$(15,000,000)**
2003			$(15,000,000)	**$(15,000,000)**
2004			$(30,000,000)	**$(30,000,000)**
2005			$(40,000,000)	**$(40,000,000)**
2006			$(54,000,000)	**$(54,000,000)**
Total December 31, 2006	**$5,000,000**	**$294,050,000**	**$511,096,257**	**$810,146,257**

(1) Operations is defined as: net income, net unrealized capital gains or loss, change in net unrealized foreign exchange capital gain or loss, change in net deferred income tax, change in non-admitted assets, change in provision for reinsurance, cumulative effect of changes in accounting principles and aggregate write-ins for gains and losses in surplus.

Dividends to Stockholder

The Company is subject to statutory and regulatory restrictions imposed by the State of Delaware on insurance companies, which limit the amount of cash dividends that may be paid to the shareholder. Under Delaware law, cash dividends may be paid only from realized net profits and realized capital gains. Additionally, the maximum aggregate amount of ordinary dividends that the Company may declare or pay during any twelve (12) month period is the greater of 10% of its surplus as of the preceding year or statutory income for the prior calendar period, unless written approval by the Delaware Insurance Commissioner granting a greater amount is obtained (extraordinary dividends).

According to Company records for the years indicated, and as reflected in minutes to the Board of Directors' meetings, cash dividends to stockholder of $154,000,000, as reflected above, represent ordinary dividends, declared and paid by the insurer in accordance with 18 Del. C. §5005:

MANAGEMENT AND CONTROL

Pursuant to the general corporation law of the State of Delaware, as implemented by the Company's certificate of incorporation and bylaws, all corporate powers of the Company and its business, property and affairs are managed by or under the direction of the Board of Directors. The Board of Directors shall consist of at least three (3) members and no more than seven (7) members and meet at least annually.

The Board of Directors is currently comprised of five members, all of whom were elected at the annual meeting of shareholders held on May 16, 2006. The members of the Board are elected for a term of one year and serve until the next annual meeting of shareholders and until their successors are elected and qualified.

The members of the Board of Directors serving as of December 31, 2006, were as follows:

Director's Name	Principal Business Affiliation
James Patrick Bronner	Chubb & Son, a division of Federal Insurance Company
Terrence William Cavanaugh	Chubb & Son, a division of Federal Insurance Company
Robert Chantry Cox	Chubb & Son, a division of Federal Insurance Company
William Andrew Macan	The Chubb Corporation
Thomas Firouz Motamed*	Chubb & Son, a division of Federal Insurance Company

* Chairman

The Company's bylaws provide that the Board of Directors, by resolution, may designate one or more committees, consisting of at least one member. As of December 31, 2006, the Company had no committees.

The bylaws of the Company state that Board of Directors has the power to elect officers of the Company and that those officers shall be a President, one or more Vice Presidents, a Secretary and a Treasurer. The Board may elect such additional officers as it may from time to time decide. At December 31, 2006, the Company's principal officers and their respective titles are as follows:

Officer	Title
Thomas Firouz Motamed	Chairman
Robert Chantry Cox	President
Sean Michael Fitzpatrick	Senior Vice President
Michael O'Reilly	Senior Vice President
Walter Brian Barnes	Vice President and Actuary
William Andrew Macan	Vice President and Secretary
Douglas Alan Nordstrom	Vice President and Treasurer

It was also noted that the Company was not in compliance with 18 Del. C. §4919 which requires the Company to provide the Delaware Insurance Department prompt notice of changes of directors and officers. As such,

It is recommended that the Company comply with 18 Del. C. §4919 and promptly notify the Delaware Insurance Department of any changes in directors and officers.

INTERCOMPANY AGREEMENTS

Management Agreement

Effective January 1, 2005 the Management Agreement by and between the Company and its parent, Federal Insurance Company (Federal) was extended until January 1, 2008. Subject to supervision and control by the Board of Directors of the Company, Federal shall manage all business operations of the Company.

Under terms of the agreement, the Company shall pay periodic advances of reasonable amounts to Federal. After the close of each calendar year, Federal shall submit to the Company a statement setting forth the aggregate of advances received by Federal from the Company, and the total of all expenses paid by Federal applicable to the business of the Company during the year. This agreement may be terminated immediately upon mutual consent or by either party upon not less than 60 days prior written notice to the other. During 2006, the Company was charged $108,354,338.

Consolidated Tax Allocation Agreement

Chubb and various affiliates, including the Company, have an agreement dated July 29, 1981, whereby they file a consolidated federal income tax return. Effective July 19, 1999 the agreement was amended to include the following subsidiaries: the Company, Executive Risk Specialty Insurance Company, Quadrant Indemnity Company and Executive Risk (Bermuda) Ltd.

Under the terms of the agreement, each Company’s income tax liability is calculated in accordance with the ratio of its taxable income to the total taxable income of group members having taxable income. All intercompany balances shall be settled in cash within a reasonable time following the filing of the return, but not later than ninety days from the date of filing. The agreement is terminated if the companies agree in writing to terminate the agreement, or a company affiliated with the group ceases business, or the affiliated group fails to file a consolidated tax return for any taxable year.

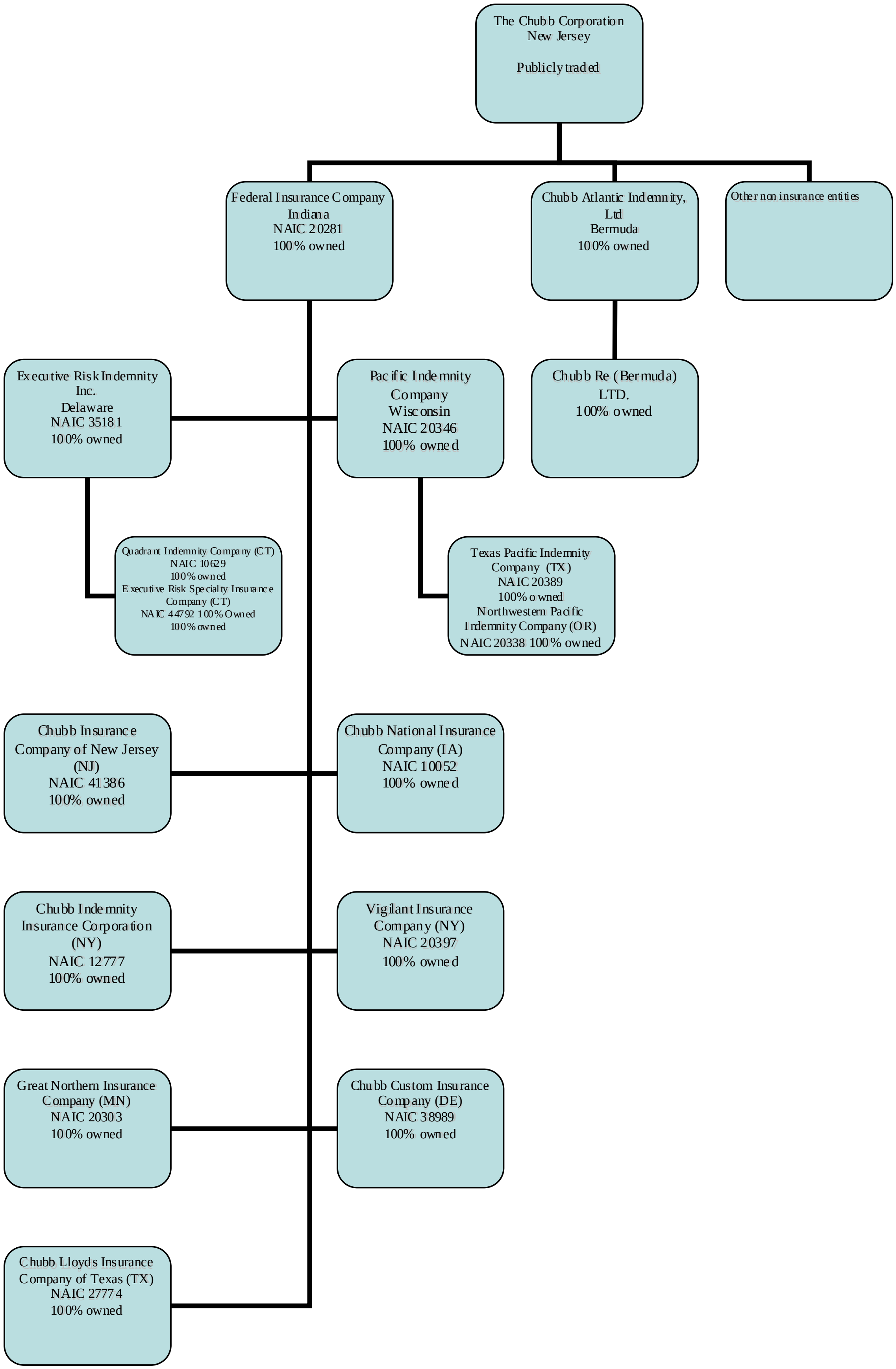
Inter-company agreements have been properly approved and filed with the Delaware Insurance Department.

INSURANCE HOLDING COMPANY SYSTEM

The Company is a member of Chubb's insurance holding company system as defined under 18 Del. C. §5000 "Insurance Holding Companies." Holding company registration statements were properly filed by the Company with the Delaware Insurance Department. All common stock is owned by the Federal Insurance Company, an Indiana domiciled insurance company.

The ultimate controlling entity is Chubb, a New Jersey corporation, which is primarily engaged through its subsidiaries in the business of property and casualty insurance. Chubb ranks among the largest insurance organizations in the United States, and provides specialized coverage for select commercial customer groups as well as unique products and services for upscale personal lines markets. For the year ending 2006, Chubb possessed assets of approximately $50.3 billion and shareholders equity of $13.9 billion. Chubb is publicly traded on the New York Stock Exchange under the symbol "CB". The following condensed organizational chart illustrates the identities and relationships between the Company, its parent, affiliates and subsidiaries of pooled entities as of December 31, 2006.

<u>Executive Risk Indemnity Inc.</u>



TERRITORY AND PLAN OF OPERATION

Chubb, through its subsidiaries, provides property and casualty insurance to businesses and affluent individuals. Chubb operates through three segments: Commercial Insurance, Specialty Insurance, and Personal Insurance. The Commercial Insurance segment offers a range of commercial customer insurance products, including coverage for multiple perils, casualty, workers' compensation, property and marine. The Specialty Insurance segment provides various professional liability products for privately and publicly owned companies, financial institutions, professional firms, healthcare organizations, and surety business. The Personal Insurance segment offers products for individuals with homes and possessions who require more coverage choices and higher limits than standard insurance policies. This segment primarily covers homeowners and automobiles. Chubb provides its products and services through independent insurance agents and brokers in the United States, Canada, Europe, Australia, parts of Latin America, and Asia. Chubb is headquartered in Warren, New Jersey.

Chubb does not utilize a significant in-house distribution model for its products. Instead, in the United States, Chubb is represented by approximately 5,000 independent insurance agencies and accepts business on a regular basis from approximately 500 insurance brokers. In most instances, these agencies and brokers also represent other companies that compete with Chubb. Chubb's branch and service offices assist these agencies and brokers in producing and servicing the group's business. In addition to the administrative offices in Warren and Whitehouse Station, New Jersey, Chubb has zone, branch and service offices throughout the United States.

Chubb is also represented by approximately 3,000 insurance agencies and brokers outside the United States. Local branch offices of the group assist the agencies and brokers in producing and servicing the business. In conducting its foreign business, Chubb reduces the risks relating to currency fluctuations by generally maintaining investments in those foreign currencies in which the group has loss reserves and other liabilities. Such investments generally have characteristics similar to the liabilities in those currencies. The net asset or liability exposure to the various foreign currencies is regularly reviewed. Business produced by the Chubb Pool's foreign branches is retained by Federal and not pooled.

The Company is licensed in all states except Connecticut and the District of Columbia. The Company also operates on a surplus lines or non-admitted basis in Connecticut and the U.S. Virgin Islands.

Chubb is comprised of fourteen U.S. property and casualty insurance companies. The Company and eight other affiliates within the Chubb group participate in an inter-company pooling arrangement, the Chubb pool. The inter-company pooling arrangement covers substantially all lines of business with the exception of foreign business and the run-off of aircraft voluntary pool. Each participant company retains a share of its direct and assumed business subject to the pooling arrangement and cedes the remaining share to the other member companies. Four group members, which do not participate in the pooling arrangement, cede 100% of their business to one of the other nine (9) companies within the group, as follows: Texas Pacific Indemnity Company and Northwestern Pacific Indemnity Company, wholly owned subsidiaries of Pacific Indemnity, cede 100% of their business to Pacific Indemnity; Chubb Insurance Company of New Jersey, wholly owned subsidiary of Federal, cedes 100% of its business to Federal; and

Chubb Lloyds Insurance Company of Texas cedes 100% of its business to Great Northern Insurance Company.

The following is a list of the companies within the Chubb Pool and their respective participation percentage:

Name of subsidiary	**Direct Premium (000's) omitted**	**Pooling percentage**	**Domicile**
Federal Insurance Company	$ 6,003,513	68.5%*	Indiana
Pacific Indemnity company	592,024	17.0%	Wisconsin
Executive Risk Indemnity Inc.	375,093	8.0%	Delaware
Great Northern Insurance Company	1,258,590	4.0%	Minnesota
Chubb National Insurance Company	68,442	0.5%	Indiana
Vigilant Insurance Company	716,981	0.5%	New York
Chubb Custom Insurance Company	379,544	0.5%	Delaware
Chubb Indemnity Insurance Company	242,391	0.5%	New York
Executive Risk Specialty Insurance Company	71,053	0.5%	Connecticut
Quadrant Indemnity Company	4,946	0.0%*	Connecticut
Chubb Insurance Company of NJ	96,938	0%	New Jersey
Northwestern Pacific Indemnity	38,514	0%	Oregon
Texas Pacific Indemnity	6,369	0%	Texas
Chubb Lloyds Insurance Co. of Texas	171,929	0%	Texas
Total	$ 10,026,327		

* Effective October 1, 2006, Quadrant's participation in the intercompany reinsurance pool was terminated and Federal's pool participation was increased from 68% to 68.5%. Also effective October 1, 2006, Quadrant cedes 100% of its business to the pool.

The largest net amount insured in any one risk by the Company, excluding workers compensation is $31,223,348.

GROWTH OF COMPANY

The financial growth of the Company since its last examination (2001) shown below was compiled from its filed annual statements:

Year	Net Written Premium	Assets	Liabilities	Common Stock	Gross Paid –in	Unassigned Surplus	Net Income
2001	$454,877,329	$1,473,384,687	$1,151,695,005	$5,000,000	$164,050,000	$154,639,682	$10,821,222
2002	592,858,947	1,699,533,908	1,294,729,705	5,000,000	244,050,000	155,754,203	(1,110,685)
2003	724,351,206	1,990,845,993	1,480,748,536	5,000,000	294,050,000	211,047,457	47,839,655
2004	781,700,585	2,225,388,669	1,640,171,048	5,000,000	294,050,000	286,167,621	106,973,368
2005	785,929,165	2,435,791,763	1,779,431,510	5,000,000	294,050,000	357,310,253	106,964,809
2006	754,799,022	2,633,694,022	1,823,547,765	5,000,000	294,050,000	511,096,257	199,899,048

Since its last examination, growth of the Company has taken the form of the following:

- A 66% increase in net premiums written
- A 79% increase in admitted assets
- A 58% increase in liabilities
- A 235% increase in unassigned surplus

The following factors contributed to the Company's growth:

- The increase in net written premium since the last examination was due to an increase in rates as well as new business.
- The increase in unassigned surplus during the examination period was primarily attributable to net income of approximately $460 million.
- The increases in admitted assets were primarily due to operating cash flow. During the exam period, operating cash flow was approximately $1.1 billion.

REINSURANCE

The Company reported the following distribution of premiums in 2006 as follows:

Direct Written	$ 375,092,761
Reinsurance Assumed from Affiliates	802,444,642
Reinsurance Assumed from Non-Affiliates	14,037,862
Subtotal Reinsurance Assumed	816,482,504
Reinsurance Ceded to Affiliates	360,590,106
Reinsurance Ceded to Non-Affiliates	76,186,137
Subtotal Reinsurance Ceded	436,776,243
Net Written During Year	$ 754,799,022
Net Earned During Year	$ 756,563,621

The reinsurance program consists of an inter-company reinsurance pool, an external (other than affiliated companies) reinsurance program including facultative reinsurance coverage purchased on an as-needed basis.

Inter-company pooling

The group's inter-company pool operates differently from a traditional pooling arrangement whereby all participants cede all of their business to a lead reinsurer, and the lead reinsurer retrocedes to each company a portion of all net business written. In the case of the group's pool, each participating company retains a designated percentage of their own business and cedes the remainder of their business to the remaining pool companies. Each participating company also assumes a designated percentage of all other pool participants' business. The Company, which has an 8% share of the pool, cedes 92% of its business to the other eight (8) pool participants. The Company, in turn, then assumes 8% of the subject business from each of the remaining eight pool participants. Although the methodology utilized by group differs from a "traditional" pooling arrangement, the financial results are identical.

The pool participation of each member is set forth in a pooling reinsurance agreement. A similar agreement has been executed by each of the other direct pool participants. Each agreement is identical except for the name of the ceding entity, the signature page, and an apportionment schedule, which sets forth each company's share of the pooled results. Effective January 1, 2000, the Company became an 8% participant in the pool.

Effective October 1, 2006, the Company and the other pool companies have a quota share reinsurance agreement with Quadrant Indemnity Company, an affiliate, whereby Quadrant Indemnity Company cedes to the pool 100% of the policy liabilities pursuant to terms of the agreement. As consideration for the reinsurance provided under this agreement, the pool companies, as reinsurers, are entitled to 100% of all premiums written on the policies covered by the agreement. This agreement was approved by the Delaware Department of Insurance.

Assumed

The Company did not assume a material amount of premium from non-affiliates during the examination period.

Ceded

The Company's external reinsurance program consists of a combination of per risk, clash and catastrophe reinsurance. The basic structure of the Company's external reinsurance program has remained relatively unchanged during the period under examination period.

Because the group's underwriting is highly diversified, reinsurance protection is tailored to adapt to the risk management needs of each of the primary areas of insurance underwritten. The group purchases outside reinsurance to protect pre-determined net retention levels. Outside reinsurance is purchased on a group basis. Each pool participant shares both the costs and recoveries in proportion to their pool percentage. As a result, the Schedule F for each company will be substantially the same and in proportion to their participation in the pool. The only difference will be the amounts ceded to the inter-company pool.

Reinsurance can be generally grouped into three broad categories: property risks, casualty risks and personal accident. During 2005, the group terminated its surety reinsurance program. The following schedule outlines significant reinsurance coverages for these categories for the pool as of the examination date:

Property

Property per Risk Excess of Loss - all business classifed as property
1st layer - $25 million xs of $25 million – 90% placed
2nd layer - $75 million xs $50 million – 100% placed
3rd layer - $125 million xs $125 million – 100% placed
4th layer - $ 200 million xs of $250 million – 95% placed

North American Property Catastrophe – all business classified as poperty
1st layer - $150 million xs $350 million – 55.69% placed
2nd layer - $400 million xs of $500 million – 74.92% placed
3rd layer - $400 million xs of $900 million – 77.07% placed
4th layer - $350 million xs of $1.3 billion – 78.82% placed (North East US only)
5th layer - $400 million xs of $1.65 billion - 42.15% placed (North East US only)

Casualty

Casualty Clash - all business classified as casualty
1st layer - $25 million xs of $75 million – 42% placed
2nd layer - $50 million xs of $100 million – 62.75% placed

Personal Accident

During the examination period, the Company did not renew its workers' compensation reinsurance program. However, the Company does have an accidental death reinsurance program.

Accident Per Life – Covers accidental death portion of all policies
$3 million xs $2 million – 80% placed

Accidental Catastrophe – Covers accidental death (defined as 6 lives per event)
$5 million xs $5 million (conveyance only) – 100% placed
$15 million xs $10 million – 100% placed
$25 million xs $25 million – 100% placed
$50 million xs $50 million – 72% placed
$50 million xs $100 million – 64% placed
$50 million xs $150 million – 57% placed

Harbor Point Limited

In December 2005, Chubb completed a transaction involving a new Bermuda-based reinsurance company, Harbor Point Limited. As part of the transaction, Chubb transferred continuing reinsurance assumed business and certain related assets, including renewal rights, to Harbor Point Limited. In exchange, Chubb received from Harbor Point $200 million of 6% convertible notes and warrants to purchase common stock of Harbor Point Limited. The notes and warrants represent in aggregate on a fully diluted basis, approximately 16% of Harbor Point Limited. Harbor Point Limited generally did not assume reinsurance liabilities relating to reinsurance contracts incepting prior to December 31, 2005. Chubb retained those liabilities and assets.

Other than pursuant to certain arrangements entered into with Harbor Point Limited, Chubb no longer engages in the reinsurance assumed business. However, Harbor Point Limited has the right for a transition period of up to two years to underwrite specific reinsurance business on Chubb's behalf. Chubb retains a portion of the business and cedes the balance to Harbor Point Limited in return for a fronting commission. The following contracts were entered into:

- Casualty Quota Share – 75% Quota share Effective December 15, 2005 – December 31, 2007
- Property – 90% Quota share Effective December 15, 2005 – December 31, 2007

During 2006, the group ceded reinsurance premiums of approximately $270 million to Harbor Point Limited.

ACCOUNTS AND RECORDS

As discussed under Inter-company Agreements, all business operations of the Company, including Accounts and Records are managed and maintained by Federal, an Indiana Company. As part of the concurrent and coordinated examination of the group, examiners representing the Indiana Insurance Department reviewed and evaluated the Company's operational and organizational controls. The areas evaluated included computer systems, accounting systems, the Company's organizational structure, and the processing structure.

The Company operates in a computer-dominated environment. A high-level assessment of the internal control structure and processes for the Company's accounting and computer systems was discussed with management, and reviewed after completion of questionnaires developed by the NAIC and the Indiana Department of Insurance. The discussions and review did not mention any material deficiencies in the Company's internal control structure.

An external accounting firm audits the statutory-basis financial statements of the group annually. The Company's external firm reviewed the internal control structure in order to establish the necessary audit procedures required to express an opinion on the December 31, 2006 financial statements. No significant or qualifying deficiencies were found to exist in the design or operation of the internal control structure.

Based on the completed examination of the filed annual statements, observations, and discussions with management, the accounting systems and procedures were deemed to conform to insurance accounting practices and requirements.

FINANCIAL STATEMENTS

The following financial statements as determined by this examination are presented herein:

Analysis of Assets as of December 31, 2006
Liabilities, Surplus and Other Funds as of December 31, 2006
Underwriting and Investment Exhibit-Statement of Income for the year ended December 31, 2006
Capital and Surplus Account for the year ended December 31, 2006

Analysis of Assets
As of December 31, 2006

	Assets	Non admitted Assets	Net Ad Ass
Bonds	$2,038,731,955		$2,0
Preferred stocks	22,156,800		
Common stocks	97,727,051		
Real estate – properties occupied	24,577,247		
Cash, cash equivalents and short-term investments	104,080,583		1
Other invested assets	23,931,643	$9,895,256	
Receivable for securities	925		
Investment income due and accrued	25,207,550		
Uncollected premiums and agents' balances in course of collection	158,783,670	912,495	1
Deferred premiums, agents' balances and installments, booked but deferred and not yet due	7,588,250	176,400	
Amounts recoverable from reinsurers	42,681,244		
Net deferred tax asset	94,695,735	43,985,539	
Receivable from parent, subsidiaries and affiliates	44,258,462		
Aggregate write-ins for other than invested assets	25,727,535	21,484,938	
Totals	$2,710,148,650	$76,454,628	$2,6

Liabilities, Surplus and Other Funds
As of December 31, 2006

		Note
Losses	$ 956,384,874	4
Reinsurance payable on paid loss and loss adjustment expenses	232,718	
Loss adjustment expenses	285,333,870	4
Commissions payable, contingent commissions and other similar charges	9,816,170	
Other expenses	32,844,428	
Taxes, licenses and fees	5,411,493	
Current federal and foreign income taxes	6,875,499	
Unearned premiums	399,278,232	
Dividends declared and unpaid: Policyholders	8,391,197	
Ceded reinsurance premiums payable	66,155,314	
Funds held by Company under reinsurance treaties	6,532,770	
Amounts withheld or retained by Company for account of others	110,840	
Provision for reinsurance	19,938,544	
Payable to parent, subsidiaries and affiliates	4,723,584	
Payable for securities	19,754,429	
Aggregate write-ins for liabilities	1,763,803	
Total liabilities	1,823,547,765	
Common capital stock	$ 5,000,000	
Gross paid in and contributed surplus	294,050,000	
Unassigned funds	511,096,257	
Surplus as regards policyholders	$ 810,146,257	
Total	$ 2,633,694,022	

Underwriting and Investment Exhibit: Statement of Income
For the Year Ended December 31, 2006

		Note
Underwriting Income		
Premiums earned	$ 756,563,621	
Deductions:		
Losses incurred	$ 313,863,270	
Loss expenses incurred	104,546,218	
Other underwriting expenses incurred	210,740,778	
Aggregate write-ins for underwriting deductions	67,863	
Total underwriting deductions	$ 629,218,129	
Net underwriting gain or (loss)	$ 127,345,492	
Investment Income		
Net investment income earned	$ 126,410,349	
Net realized capital gains or (losses)	2,117,791	
Net investment gain or (loss)	$ 128,528,140	
Net gain (loss) from agents' or premium balances charged off	$ (497,473)	
Aggregate write-ins for miscellaneous income	808,763	
Total other income	$ 311,290	
Net income before federal income taxes	256,184,922	
Dividends to policyholders	2,523,880	
Federal income taxes incurred	53,761,994	
Net Income	$ 199,899,048	

Capital and Surplus Account

Surplus as regards policyholders, December 31, 2005	$656,360,253
Net income	199,899,048
Change in net unrealized capital gains (losses)	(2,699,371)
Change in net deferred income tax	(3,439,486)
Change in non-admitted assets	7,253,099
Change in provision for reinsurance	6,316,684
Dividends to stockholders	(54,000,000)
Aggregate write-ins for gains and losses in surplus	456,030
Change in surplus as regards policyholders for the year	$ 153,786,004
Surplus as regards policyholders, December 31, 2006	$810,146,257

SCHEDULE OF EXAMINATION ADJUSTMENTS

No financial adjustments were made as a result of this examination.

NOTES TO FINANCIAL STATEMENTS

Note 1

Bonds $2,038,731,955

The Company's bond holdings totaled $2.039 billion and comprised 77.4% of total admitted assets and 88.6% of the Company’s total invested assets. Securities for the year ending 2006, were comprised of the following:

U.S. Government	$ 287.8 million
States, Territories and Possessions	113.3 million
Political Subdivisions	179.6 million
Special Revenue	1,055.2 million
Public Utilities	34.7 million
Industrial and Miscellaneous	368.1 million
	$2,038.7 million

Of the Company’s total bond holdings, $1,949.4 million or 95.6% were categorized as Class 1, with respect to NAIC credit quality standards. Bonds categorized as Class 2 had a book value of $79.3 million. Bonds categorized as Class 3 had a book value of $10 million. All investments were rated by the SVO, Moody's, and Standard and Poor's with similar quality ratings.

Note 2

Preferred Stocks $22,156,800

The Company’s preferred stock holdings at December 31, 2006 are comprised of one security, the Royal Bank of Scotland.

Note 3

Common Stocks	$97,727,051

The Company's common stock holdings at December 31, 2006, were comprised of the following:

Public Utilities	$11,320,000
Banks, Trust and Insurance Companies	3,308,920
Industrial and Miscellaneous	3,148,413
Affiliates	79,949,718
Total	$97,727,051

Affiliates include Executive Risk Specialty Insurance Company $58,889,991, and Quadrant Indemnity Company $21,059,727.

Note 4

Loss Reserves	$956,384,874
Loss Adjustment Expense Reserves	$285,333,870

Loss and loss adjustment expense reserves represent 68.1% of the Company's liabilities as of December 31, 2006. Incurred but not reported reserves (IBNR) constituted 64.2% or $797,760,000 of loss and loss adjustment expense reserves at year-end 2006.

The firm of Merlinos and Associates (Merlinos) was retained by the Indiana Department of Insurance to conduct a review of the Company's reserve methodologies and adequacy. Merlinos evaluated the Company's book of business by line of business for loss and allocated loss adjustment expenses. The conclusions reached by Merlinos are based upon information supplied by the Company's staff, which included an in-depth actuarial analysis. The Merlinos reserve analysis was performed on both a gross, and net of reinsurance basis, and did not address the collectability of reinsurance recoverables. The Merlinos reserve review found the Company's combined net loss and loss adjustment expense reserves were adequate to support the business underwritten.

The underlying data was tested through a review of open and paid claim files and actual payments made with no exceptions noted. The aggregated actuarial data provided by the Company was verified and reconciled to Schedule P of the Company's filed annual statement.

Loss and loss adjustment expense reserves are subject to errors of estimation arising from the fact that the ultimate liability for claims evaluated as of the valuation date are dependent on future contingent events which cannot always be anticipated. The possible occurrence of such events, as well as the inherent uncertainty associated with statistical estimates, allows no guarantee that the actual ultimate liabilities will be the same as the reserve levels described in this examination report. As a result of this study, the reserves were accepted as reported by the Company at December 31, 2006.

COMPLIANCE WITH PRIOR REPORT RECOMMENDATIONS

(1) **Reinsurance** – It is recommended that a signed confirmation of reinsurance participation be obtained timely and maintained in orderly form for retrieval as necessary to document a valid reinsurance contract exists between the parties.

The Company has complied.

(2) **Accounts and Records** - It is recommended that the Company comply with Statement of Statutory Accounting Principles 48, Paragraph 13 regarding annual statement disclosures on required additional capital contributions to its limited partnership investments.

The Company has complied.

(3) **Bonds** - It is recommended that the Company develop and implement procedures related to filing exempt securities.

Due to changes in procedures, the recommendation is no longer applicable.

(4) **Bonds** - It is recommended that the Company maintain proper documentation to support the purchase and sale of all securities.

The Company has complied.

(5) **Other invested assets** - It is recommended that the KI Partners, LP partnership agreement be amended to require that the general partner furnish each limited partner audited financial statements for the partnership, after the end of each fiscal year, to substantiate the financial valuation of the partnership. This investment should be reported as a non-admitted asset for statutory reporting unless supported by audited financial statements.

The investment has been sold. The Company has complied.

SUMMARY OF RECOMMENDATIONS

(1) It was noted that the Company was not in compliance with 18 Del. C. §4919 which requires the Company to provide the Delaware Insurance Department prompt notice of changes of directors and officers. As such,

It is recommended that the Company comply with 18 Del. C. §4919 and promptly notify the Delaware Insurance Department of any changes in directors and officers. (Refer to "Management and Control" section)

CONCLUSION

As a result of this examination, the financial condition of the Executive Risk Insurance Inc., as of December 31, 2006, was determined as follows:

Description	December 31, 2006 Current Examination	December 31, 2001 Prior Examination	Changes Increase (Decrease)
Assets	$2,633,694,022	$1,473,384,687	$ 1,160,309,335
Liabilities	1,823,547,765	1,151,695,005	671,852,760
Common capital stock	5,000,000	5,000,000	-0-
Gross paid in and contributed capital	294,050,000	164,050,000	130,000,000
Unassigned funds (surplus)	511,096,257	152,639,682	358,456,575
Total surplus as regards policyholders	810,146,257	321,689,682	488,456,575
Totals	$ 2,633,694,022	$1,473,384,687	$ 1,160,309,335

Since the last examination, the Company's assets have increased $1,160,309,335; liabilities have increased $671,852,760, and capital and surplus increased $488,456,575.

Respectfully submitted,

Anthony C. Cardone

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State of Delaware
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SUBSEQUENT EVENTS

In May 2007, the Corporation announced it had completed a transaction whereby a series of catastrophe bonds were issued to cover a portion of Chubb's property catastrophe program. The bonds were issued by East Lane Re, a Cayman Islands domiciled company, and comprise two series of notes providing up to $225 million in loss reimbursement to Chubb in the event that homeowners-related losses in the northeast U.S. corridor exceed stipulated amounts. The bond proceeds and quarterly premiums paid by Chubb are deposited into a trust to provide for future insured losses.

In October 2007, southern California experienced a number of major wildfires. As such, Chubb estimated its losses to be $90 million. While the estimate of ultimate losses related to the wildfires may change in the future, Chubb does not expect the losses to have a material effect on the corporation's consolidated results of operations or financial condition.

Effective January 1, 2007, Quadrant Indemnity Company, a wholly owned subsidiary of Company, was sold to Harbor Point U.S. Holdings Inc., a Delaware domiciled holding corporation. The proceeds from the sale were $27.2 million, resulting in a pre-tax gain of $7.2 million.